

# Financial Management for Nonprofit Organizations

## Professor Agustin Leon-Moreta, PhD

Fall 2016

**Class Sessions:** Dane Smith Hall 134, Saturday 9:00-11:30 am

**Office Hours:** Friday 3:00-5:00 pm. Or by appointment

**Address:** Social Sciences 3010

**Phone:** (505) 277-1092

**E-mail:** apleonmoreta@unm.edu

### PRE-REQUISITES

- Basic familiarity with Excel spreadsheets. Students unfamiliar with Excel are encouraged to seek one-on-one support from the instructor, the teaching assistant, or the UNM Graduate Resource Center.

### COURSE DESCRIPTION

Welcome to *PADM 590 Financial Management for Nonprofit Organizations*. This course focuses on planning and financial decision-making in nonprofit organizations and is intended to build on topics acquired in other SPA's courses. These topics are critical to organizational survival and success. This course addresses the business planning process, with special attention paid to unique issues facing nonprofits involved with various types of ventures. Also the course focuses on developing operating and capital budgets, managing working capital, issues in implementing budgets and business plans, issues in government contracting with nonprofits, and financial performance management.

The course includes lectures, problem solving, case studies, and other assignments structured to integrate both academic and practical approaches and perspectives on current nonprofit organizations' issues and concerns.

### COURSE OBJECTIVES

The primary objective of this elective course in nonprofit financial management is to teach students how to use budgetary and financial information to make decisions in nonprofit organizations. A secondary objective is to help students develop their quantitative and communication skills. This course looks at budgeting and financial management as a process. The process begins with the development of a plan for the future. The plan is then implemented. Actions are taken to control operations so as to keep to the plan. Results of operations are then reported, and those results are analyzed.

A half of the course focuses on developing, implementing and controlling the plan. The course covers the development of operating budgets, tools for short-term decision making, capital budgeting, and the analysis of long-term financial investments. Management of short-term resources and variance analysis are also covered in this half of the course. The material in the first half of the course additionally focuses on liquidity and cash management.

The other half of the course focuses on summarizing, reporting, and analyzing an organization's financial position and the results of its operations. We will study theory and application related to accounting principles, financial reporting, financial analysis, and other aspects of financial accounting for nonprofit organizations. We will consider how financial information is presented and how it can be used to provide meaningful conclusions about the financial position and performance of a nonprofit organization. The material in the second half of the course additionally includes internal control and risk management.

By the end of this course, students will be able to:

- Understand techniques for financial planning, decision making, and working capital management in nonprofit organizations.
- Employ cost allocation techniques to nonprofit organizations.

The following learning outcome is addressed in this course:

- Students will demonstrate knowledge of financial management for nonprofit organizations.

## **POLICIES**

*Syllabus Change:* A guide to the course, this syllabus will be updated as needed. The instructor reserves the right to change any content of the syllabus, including grade weights allocated to course assignments. Assignments may be added or changed during the semester. If syllabus changes are made, I'll announce them in class or by email.

*Punctual Attendance Required:* Beginning the first day, class attendance will be recorded. Per the UNM Student Handbook, a student may be dropped from the course as a consequence of absence from class.

*No Late/Makeup Assignments:* Late or makeup assignments won't be accepted. However, I reserve the right to consider any late submission, for partial credit, under extraordinary circumstances.

*Time/Workload Commitment:* This course is a graduate-level course of the MPA program. To successfully learn the course material, graduate students should commit at least 10 hours per week to the course outside of class.

*Electronic Devices:* In class, please turn off cell phones. Laptops are welcome for taking notes, solving exercises, and class-related purposes. Don't use laptops for other purposes.

*Academic Integrity:* The UNM Student Handbook outlines the University's expectations for the integrity of students' academic work, the procedures for resolving alleged violations of those expectations, and the rights and responsibilities of students and faculty members throughout the process. Students are responsible for reading the Student Code of Conduct and for upholding the highest standards of integrity in this class. Violation of the Code carries penalties discussed in the Code. Students' work may be checked for originality through the UNM SafeAssign system.

*Accommodation for Disabilities:* Students with disabilities needing accommodation should: (1) register with and provide documentation to the UNM Accessibility Resource Center, and (2)

bring a letter to the instructor indicating the need for accommodation and what type. This should be done during the first week of class. This syllabus and class materials are available in alternative format upon request. For more information regarding resources available to students with disabilities, please contact Accessibility Services at Mesa Vista Hall 2021; phone: (850) 277-3506; or <http://pathfinder.unm.edu/campus-services/services-students-disabilities.html>

*E-mail Communication:* Per SPA policy, students should use their UNM email for electronic communication with the professor.

*Student Feedback:* Your feedback on the course will be welcome and appreciated. We'll ask for you feedback through various channels, formal and informal, throughout the semester.

## COURSE MATERIALS

### *Required*

1. Weikart, Lynne, Greg Chen, and Ed Sermier. 2012. *Budgeting and Financial Management for Nonprofit Organizations*. Thousand Oaks, CA: CQ Press. ISBN 978-1608716937, <https://us.sagepub.com/en-us/nam/budgeting-and-financial-management-for-nonprofit-organizations/book237109>
2. Zietlow, John, Jo Hankin, and Alan Seidner. 2007. *Financial Management for Nonprofit Organizations: Policies and Practices*. Hoboken, NJ: John Wiley & Sons, Inc. ISBN 978-0-471-74166-4, <http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471741663.html>
3. Microsoft Excel: <http://it.unm.edu/software/students/index.html>
4. UNM email and *Learn*

### *Optional*

- HP 10BII financial calculator

## GRADING

Participation	10
Problem Sets	10
Tests	20
Case study	30
<u>Final exam</u>	<u>30</u>
<b>Total grade</b>	<b>100 points</b>

*Participation:* This will be worth 10 points out of 100 course points. **Punctual attendance is required for every class** meeting of the semester. Active participation in class is expected. In class, please feel free to interrupt me with questions or comments. Please thoroughly study the weekly material in preparation for class participation. Participation includes asking questions, commenting on the class material, answering instructor's questions, collaborating in group activities, citizenship behavior in class, and **a one-on-one meeting with the professor** at the beginning of the semester (a phone meeting with distance students).

*Problem sets:* Problem sets will be worth 10 points out of 100 course points. They will be applied exercises regarding weekly material. The problem sets are a very important component of the course because they give an opportunity for practical applications. The weekly problem set will be

announced by email and/or Learn announcement. Problem sets must be submitted on *Learn* by Friday—a day before class meets.

*Tests:* These will be worth 20 points out of 100 course points. They will assess weekly reading assignments. Readings must be completed before class sessions, when those readings will be discussed. Weekly readings will be based on the textbooks, but additional readings may be assigned during the semester. Weekly tests will be open on *Learn* after class and due on Friday—a day before the next class meets. Tests may include a variety of questions. Tests are a very important component of this course because they give you opportunities for skill application and practice toward the final exam.

*Case study:* A case study will be worth 30 points out of 100 total points. The case study will be about assessing the financial condition of a nonprofit organization. The case study should be written in the format of the PADM553 professional paper (pro-paper). You'll present, in class, reports of your case study over the semester. Papers may be checked for originality through the UNM Safe Assign system. See the appendix for case study guidelines. I will also provide, in class or by email, additional information regarding this case study.

*Final exam:* This will be worth 30 points out of 100 total points. The exam format will be similar to the tests but comprehensive of all course materials. This final examination will be administered on the day determined by the UNM Final Exam Schedule.

## COURSE CALENDAR

Week	Chapters from Weikart	Chapters from Zietlow	Test-Set by
I	Preface and chap. 1 Introduction	Preface and chap. 1 Nonprofit finance	Aug 26
II	10 Performance measurement	4 Managing accountability	Sep 02
III	9 Revenue structure	3 Managing mission	Sep 09
IV	3 Cash management	2 Liquidity management	Sep 16
V	2 Budgeting	8 Developing budgets	Sep 23
VI	4 Cost management	11 Cash management	Sep 30
VII	5 Principles of financial reporting	5 Developing policies	Oct 07
SPRING BREAK			Oct 14
VIII	6 Understanding financial reports	6 Understanding statements	Oct 21
IX	7 Financial analysis	7 Developing financial ratios	Oct 28
X	8 Tools for decision making	13 Information management	Nov 04
XI	11 Time value of money	9 Long-range planning	Nov 11
XII	12 Capital budgeting	10 Managing liabilities	Nov 18
XIII	THANKSGIVING		Nov 25
XIV	13 Investment strategies	12 Investment guidelines	Dec 02
XV	In-class presentation of case studies		Dec 10
FINAL EXAM			Dec 17

## **APPENDIX Case Study Expectations**

### *I. Introduction (1 page)*

In this research, you will examine the audited Financial Reports of a nonprofit organization. Consequently, your organization of choice should have financial reports available for at least two consecutive years, since you'll need to examine those reports for this project. Interpreting financial reports is one of the most important skills for nonprofit managers and board members. This assignment is intended to give you that foundation. Your report should be organized into two major sections. You'll analyze the revenues and expenses according to mission programs in the first section and ratio analyses in the second section. In sum, the main objective of this project is to summarize the structure of revenues and expenses in the context of your organization's programs as well as assess its end-of-year financial results and position.

### *II. Revenues and Expenses (about 5 pages)*

Using the Statement of Activities and the Statement of Functional Expenses for two consecutive years, identify the main expenses of your organization. What are the main mission programs of the organization? How are expenses distributed across those programs? What are the major sources of revenue for your organization and why? Discuss how diversified or constrained are the revenues of the organization. Does your organization rely on one or multiple sources of revenue? What advantages or disadvantages do you see in the organization's dependence on those revenues? Also, how could the organization find additional financial support in the event of revenue shortfall? How are revenues and expenses changing over the last years? Support your analyses summarizing major amounts from the financial reports.

### *III. Financial Analysis (about 5 pages)*

Using the audited financial statements (and supplementary information), analyze the financial results and position of your organization. In this analysis, selecting and calculating important ratios is expected. Assess the liquidity of your organization. Does the organization have enough cash and short-term assets to meet short-term obligations? Assess its financial position and solvency. Does the organization have strong ability to meet long-run obligations? Using the Notes, identify significant accounting policies that potentially affect the reliability of the financial statements. Are you concerned about the credibility of the financial reports based on your reading of the Notes?

### *IV. Conclusion and Recommendations (1 page)*

In this concluding section, briefly summarize your findings concerning the financial results and position of the organization for the last years. May suggest budget priorities or financial practices for future years based on your research. May suggest what the organization can do in order to strengthen its long-run financial position.

### *Format of the Paper*

Length: Write at least 10 double-spaced pages, besides any appendices  
Appendices: Place references, graphs, or tables in appendices (not within the text)  
Font: Use Times New Roman, 12 pt.  
Margins: Set 1 inch

### *Deadlines*

The paper on your case study must be submitted by December 10th.

### *Suggestions*

You may incorporate preliminary ideas and analyses on your city from the weekly problem sets.  
You may use and cite additional bibliography for this case study.